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***City of Bristol***

May 18, 2015

***BOARD OF FINANCE CHAIRMAN'S BUDGET MESSAGE***

**TO THE CITY COUNCIL, CITIZENS AND TAXPAYERS OF BRISTOL:**

Today we adopt a new budget for the fiscal year 2015-2016. While we remain optimistic as to how the State of Connecticut will resolve their budget crisis and how this may affect Bristol, early indicators point that we should not be further negatively impacted. Should this change, we will need to take additional action at that time. As stated in prior years, significant work is still needed to combat unfunded mandates that currently exist and may be proposed in future sessions.

As we adopt our budget today, May 18, 2015, we take a breather. This year we were able to put forth a budget with no increase to the tax payers. This is also accomplished with NO DECREASE in services to our citizens. We were able to fund necessary capital improvements such as our new state of the art emergency communications system used by police and fire. We continue to allocate funds to improve city buildings and appropriate capital to replace aging infrastructure and technology. Prudent increases in some departmental budgets were provided where warranted. Lastly, but importantly we were able to assure many hard working city employees that their jobs were safe.

As you recall, last year we added significant services such as Full Day Kindergarten, increasing well needed funds for road repairs and fleet maintenance and even adding Sunday hours at the main library.

The Board of Finance, the Mayor, and the Council, while mindful of the taxpayers of Bristol, are asked to approve this budget representing a zero increase in the mill rate.

**Breakdown of Increasing Expenditures and Declining Revenues**

**Expenditures**

The Board of Finance had to bridge a gap of \$5.6 million between requests and revenues.

- Requests totaled \$190.3 million from the City side and Board of Education. This is a \$5.1 million or 2.79% increase over the current budget.
- The Board of Education request was originally an increase of \$3.38 million or 3.16%. Through combined efforts and workshops between the BOF and the BOE, this increase was reduced to \$0. By implementing health plan design savings combined with employee contributions; using the health benefits fund balance

**Transmittal Letter – (continued)**

and using the City sinking fund for capital purchases we were able to achieve this with no loss of teaching staff.

- General City requests increased by \$1.8 million or 2.28%, however receipt of unbudgeted state aid of \$2.3 million helped offset expenses in road repairs and snow removal.

Revenue Decline

After absorbing a \$55,000 reduction in the prior year, the 2015-2016 aid is expected to drop by about \$3,000 pending finalization of the state budget.

Strategies used in balancing the 2015-2016 budget:

- Department Heads were asked to submit a budget between zero and one percent
- Minimal bonding of the Ten Year Capital Improvement Plan
- Continue to develop and implement fiscal policies to keep the City's bond rating strong
- Develop a plan to prioritize Capital spending in a way that spreads these costs over time to minimize the tax impact

Budget Highlights

The Grand List decreased from \$3.83 billion to \$3.82 billion, and our tax collection rate is strong at over 98%.

The initial gap between revenues and expenditures was \$5.5 million representing a 1.46 mill increase to the mill rate and a 3.02% budget increase to start the process.

Capital requests of \$1.8 million within the General Fund were reduced by \$392,000; and an additional \$321,000 to be funded out of the sinking fund which does not impact mill rate.

The reliance on the use of Fund Balance has been reduced with an attainable near term goal of zero within two years, which will help our bond rating.

To recap, the current mill rate is 34.61 mills. The Board of Finance approved a zero tax increase.

Summary

Bristol's finances have strong financial management from the Mayor, City Council, Board of Finance, as well as a very dedicated and efficient Comptroller's Office. We also have a very strong reserve which results in favorable ratings by Standard & Poor's for future borrowing. This year of no increase should be celebrated for several forces and departments coming together and working together. The paramount need in order to minimize future impacts is to continue to promote strong economic incentives for business growth to attract more companies to our City which would create jobs and increase our Grand List. In closing, some of the cuts and efficiencies we are trying to achieve will build a stronger foundation for future budgets.

**Transmittal Letter – (continued)**

**ACKNOWLEDGEMENTS**

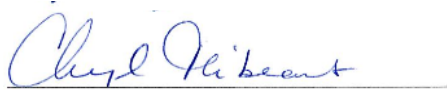
I personally want to recognize every member of this Finance Board for your numerous hours of work on behalf of the citizens of Bristol. Your attendance during evening meetings of public hearings and workshops regarding this budget, in addition to regular meetings shows your enduring voluntary commitment to your City.

I would be remiss on behalf of the Board if I didn't thank our Comptroller, Glenn Klocko, Assistant Comptroller, Robin Manuele, Senior Accountant, Skip Gillis, Budget & Accounting Assistant, Carmen Colon, and Assistant to the Comptroller, Jodi McGrane, for guidance and assistance to the Board in this process. Again, many, many thanks.

**IN CONCLUSION:**

The annual budget process is a dynamic process that provides the City of Bristol with the opportunity and means to review past accomplishments and evaluate goals and objectives for the future. The Mayor, the City Council, and Department Heads came together, as a team, at a number of hearings and workshops to address and meet the challenges of this budget year. We will look forward to the successful implementation of this budget and to the challenges of next year's budgetary process.

Respectfully submitted,

A handwritten signature in blue ink, reading "Cheryl Thibeault", is positioned above a horizontal line.

Cheryl Thibeault  
Board of Finance Chairman

## **Comptroller's Budget Message**

### **To the Citizens, Taxpayers, and Businesses of Bristol, Connecticut,**

It is my pleasure to present this 2015-2016 budget message and budget document for review. It is the culmination of months of effort on the part of many. Elected officials, people appointed to Boards and Commissions of the City, management and staff employees worked diligently to present this document in its completed format.

This letter provides a concise overview of the City's approved 2015-2016 budget. The budget is balanced for all funds and was approved by the Joint Board of the City Council and Board of Finance on May 18, 2015. The approved budget for all funds is \$215,221,574. The General Fund portion of the budget on which the mill rate is primarily based is \$185,005,865. There is a zero mill rate increase to the current mill rate of 34.61.

The budget process started with a December Mayoral "kick-off" meeting in the Council Chambers with Department Heads. All City officials were invited to attend.

#### **Budget - Early Preparation Stage**

Mayor Cockayne expressed to Department Heads at the December kick-off budget meeting his concerns, priorities, and goals for the upcoming budget session. This is the second budget kick-off for Mayor Cockayne.

The Mayor stressed how the State of Connecticut budget affects the City of Bristol's budget. The City will approve its budget two weeks before the State budget approval. The Mayor asked that all Departments keep their budget increases in a zero to one percent range. It turned out that almost all departments were able to keep their increases at or very close to the Mayor's request, in spite of increases in areas such as contractual obligations and utilities that are out of direct departmental control.

Surprisingly, Connecticut is in a stagnant economy after six years of a recessionary economy. There have been some signs of improvement in home sales, but unemployment remains around 6.9% and housing foreclosures are still at out-of-ordinary levels.

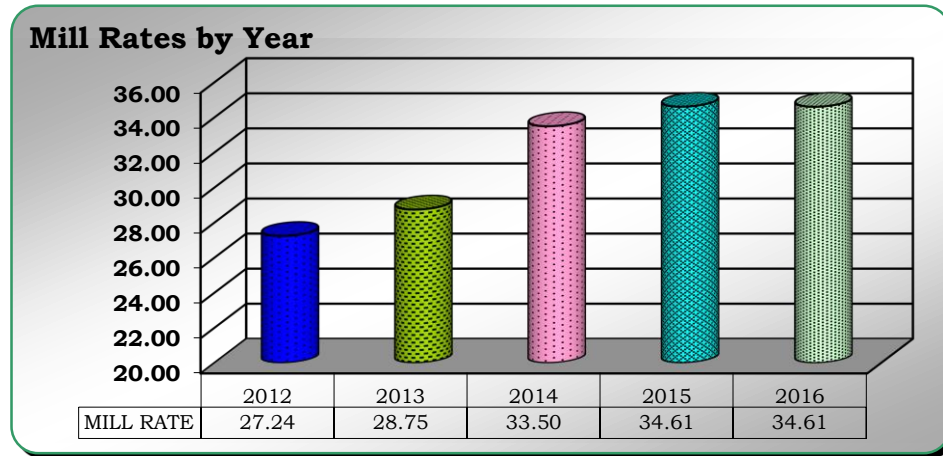
Capital Outlay requests totaled \$1,792,685 on the City side within the General Fund, excluding Board of Education. Public Works submitted requests of \$1,050,000, but only \$850,000 were approved. The Mayor also indicated the 10-year Capital Improvement Plan (CIP), which incorporates the Capital Budget, will be reviewed for approval along with the operating budget, to gain the total impact of the state of the City's finances. The tab labeled 'Capital Budget Summary' contains the Capital Budget and CIP information for 2015-2016.

#### **Balanced Budget**

The fiscal year 2016 operating budget is balanced financially and philosophically. It embraces many tenets that are reviewed in this budget message. It is the desire of this administration, through this budget, to advance the quality of life for residents of the City of Bristol.

**Transmittal Letter – (continued)**

**MAJOR HIGHLIGHTS OF THE 2015-2016 BUDGET**



**Shown above are the City of Bristol mill rates for the last five budget years**

**Economic Forecast: Recession Continues**

Each year the Economic Forecast is prepared by the City's Purchasing Agent. The forecast is used year-to-year to provide a consistency factor for departments estimating operating costs contained within the various budgets. If actual costs are higher than estimated, budgetary adjustments will be necessary during budget implementation.

**State Budget**

The final adopted state budget saw State grants increase in total by \$100,370 for the City. The City's Educational Cost Sharing grant, the largest grant from the State, remained at level funding along with several other State grants.

**Mill Rate: Result of Budget Deliberations**

The 2014-2015 mill rate was 34.61. The mill rate did not increase for 2015-2016. Last year, the mill rate had increased by 1.11 mills.

Perhaps the most annually debated budget is the Board of Education budget due to their significant proposed increases in fiscal funding. Any increase results in increasing the Minimum Budget Requirement (MBR) as required by State statute. An in depth analysis of fiscal year 2015-2016 funding for Education is discussed on page 15-16.

A majority of City department budget requests came in significantly higher than the Mayor's guidance. It was later learned that the higher requests were unavoidable due to the compounding effect of two years of unsettled negotiated wages, now settled and included in the new budget calculations.

**Transmittal Letter – (continued)**

**OTHER HIGHLIGHTS**

**Revenue Sources:**

**Forecasting**

Revenue forecasting involves the use of analytical techniques to produce estimates of the inflow of resources in the future.

Revenues of the City are annually forecasted (estimated) based on revenue type, growth or reduction patterns, underlying historical assumptions, as well as revenue reliability and validity of the estimates. Our forecasting uses a combination of three to five year trend analysis, consensus, and human judgment (as opposed to random guessing) methods. The underlying assumptions for each major source of revenue are identified and documented. The Comptroller's Office works closely with department heads responsible for revenue estimates to identify any changes in local, regional, or national economic conditions, citizen demands, as well as changes in professional associations' guidance relative to revenues, and changes in state and local government programs and policies. Changes in the City's political environment are also considered. All assumptions, when identified, must be reasonable, valid, and current. Obviously, obsolete assumptions due to changing conditions are identified and no longer considered. Most current revenue estimates remained flat at prior year levels for the fiscal 2015-2016 budget estimates. This has been a trend consistent over the past several fiscal years.

Readers may find it an interesting fact that taxes levied and intergovernmental revenues (State & Federal grants) comprise 97% of all 2015-2016 City General Fund estimated revenue sources.

**Taxes (71% of all revenues)**

The combined current and prior tax levy decreased for the first time in many years by \$266,570 due to a decline in the growth of the grand list. The City of Bristol tax collection rate was 98.46% at June 30, 2014 a slight decline from the previous year's collection rate of 98.75%.

**Intergovernmental (26% of all revenues)**

Cities rely heavily upon intergovernmental revenues (State & Federal grants) to balance their budgets. Bristol is no exception to that fact. The total grant revenue Bristol receives increased by \$137,105.

**Federal Grants**

Federal grants have been shrinking over the past several years. Nevertheless, any grant is important to the City. Federal grants are a very small portion of the overall 2015-2016 grant picture of the City at \$9,500 in estimated grant awards. This represents an overall increase of \$3,735 due to an increase in the civil preparedness emergency management grant the City receives, which is 50% of expenditure reimbursements.

**Appropriations (Expenditures):**

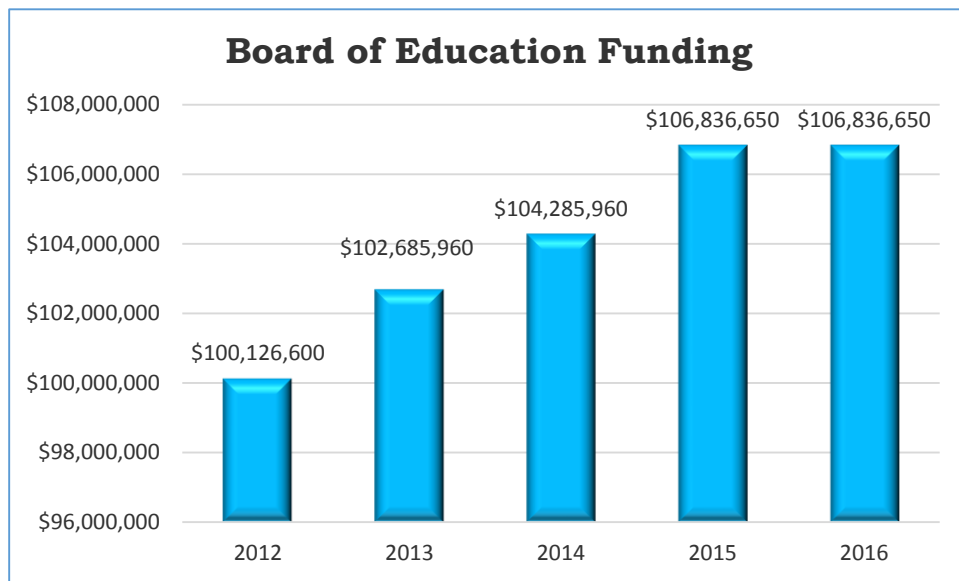
It is said that budgeting is not an exact science. The structural-balance concept in budgeting seeks to ensure that stable and reliable delivery of public services is the goal of the budget process.

**Transmittal Letter – (continued)**

The following factors were significant components within the appropriation side of the budget this year:

- A significant pending State deficit puts a large degree of uncertainty on its effect to Bristol’s State grant revenue projections
- The State budget revenues earmarked for the City will be approved after the City approves its revenue budget
- The Police Department had an increase of 2.52%
- The largest increase was realized by the General Government section at 6.21%
- The Public Works Department had a minor decrease of -0.16%
- All controllable appropriations remained at prior levels
- Use of Fund Balance to balance the operating budget was reduced from \$350,000 to \$195,000
- Funding for education remained flat at \$106,836,650. This does not increase State’s Minimum Budget Requirement (MBR). Below is a graph of Board of Education approved funding levels since fiscal year 2012.

**Education**



**Shown above is the Joint Board approved funding for the Board of Education for the last five budget years**

The 2015-2016 final approved funding level for the Board of Education was certainly financially interesting and varied from past approval processes. This year’s funding had several unique components.

The Board of Education (BOE) Joint Board adopted budget remained at the prior year funding level, which is \$106,836,650. A state statute mandates a BOE budget, at a minimum must be funded to at least the prior year approved funding level. This is known as the Minimum Budget Requirement, or MBR.

## Transmittal Letter

### Transmittal Letter – (continued)

An additional \$100,000 will be appropriated as an operating transfer-out to the Equipment Building Sinking Fund to establish a means to replace aging BOE infrastructure. This funding does not affect the MBR. This funding is the second \$100,000 funding (this year and last year) to assist the BOE with infrastructure upgrades or refurbishments.

Lastly, for the first time, the Health Benefits Fund did not have to budget an increase due to projected expenditures coming in at prior year levels. The fund has also accumulated a fund balance. With that said, the BOE would contribute less to the fund than the previous year in the amount of \$1,550,000. That amount would be used for other BOE operating expenditures.

In summary, the BOE budget is as follows:

Approved budget 2015-2016	<u>\$106,836,650</u>
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Other BOE funding sources not affecting MBR:

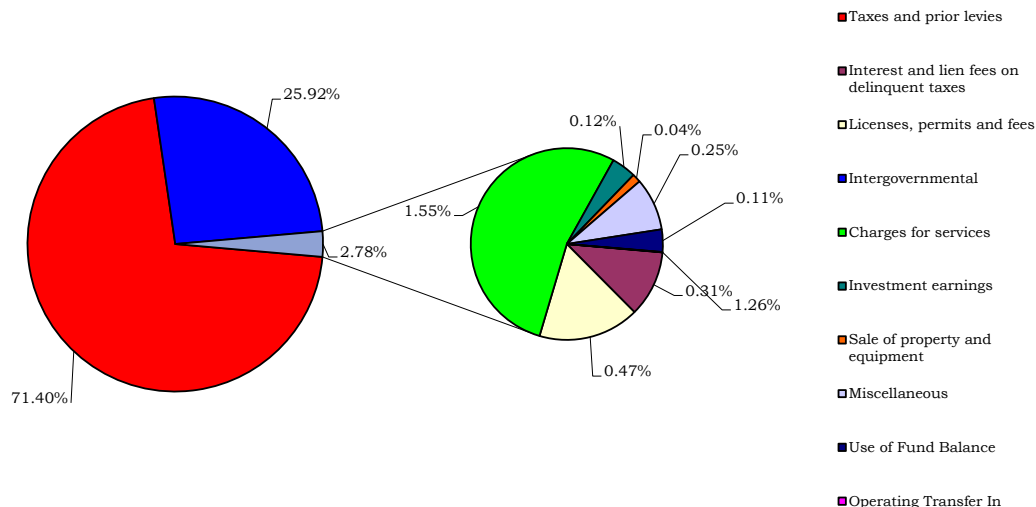
❖ Infrastructure upgrades or refurbishments	\$100,000
❖ Health plan design savings & contributions	\$1,270,950
❖ Use of Health Benefits Fund Balance	<u>\$279,050</u>

Total Other Funding Sources	<u>\$1,650,000</u>
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For further commentary on the Education Department's service efforts, please turn to the 'Board of Education' tab.

## PROFILES OF THE APPROVED 2016 OPERATING BUDGET BY FUND

### GENERAL FUND REVENUE SOURCES





**Transmittal Letter – (continued)****FISCAL IMPACT****OPERATING BUDGET: GENERAL FUND**

Even with appropriation reductions, the City of Bristol's General Fund continues to support the majority of the City's public services including police, fire, public works, general government, parks & recreation, libraries, debt service, and other miscellaneous items. The 2015-2016 General Fund operating budget reflects a decrease of \$134,750 or a -0.07% decrease over the 2014-2015 General Fund approved budget.

**Contingency**

Perhaps the most unpredictable yet probably highly favorable budgetary impact account is the General Fund Contingency appropriation. Each fiscal year, City officials “worry” if the funding level will be sufficient to handle emergency expenditures for a bad winter storm year or unforeseen emergencies. A Contingency account provides the first line of defense to any potential use of the City's fund balance levels. The Contingency line received level funding at \$1,000,000.

**Public Works**

Overall, the Public Works budget had a decrease of -0.16%. The 2015-2016 was the final year of the following funding strategies adopted by the Board of Finance in 2009-2010 for future snow removal, fleet and road overlay budgets:

<b>Fleet</b>			
Year		Base	\$ 15,000
1	09-10		\$ 15,000
2	10-11		\$ 15,000
3	11-12	\$385,000	\$ 400,000
4	12-13	\$150,000	\$ 550,000
5	13-14	\$150,000	\$ 700,000
6	14-15	\$150,000	\$ 850,000
7	15-16	\$150,000	\$ 1,000,000

<b>Roads</b>			
Year		Base	\$ 935,000
1	09-10		\$ 935,000
2	10-11	\$150,000	\$1,085,000
3	11-12	\$200,000	\$1,285,000
4	12-13	\$250,000	\$1,535,000
5	13-14	\$300,000	\$1,835,000
6	14-15	\$350,000	\$2,185,000
7	15-16	\$400,000	\$2,585,000

<b>Snow Removal</b>			
Year		Base	\$ 779,200
1	09-10		\$ 779,200
2	10-11	\$ 40,000	\$ 819,200
3	11-12	\$ 60,000	\$ 879,200
4	12-13	\$ 80,000	\$ 959,200
5	13-14	\$100,000	\$1,059,200
6	14-15	\$120,000	\$1,179,200

**Transmittal Letter – (continued)**

However, the Board of Finance chose to fund all three funding strategies at level funding for the 2015-2016 budget. The Fleet budget remained at \$850,000, the Roads budget at \$2,185,000 and the Snow Removal budget at \$1,179,200. This funding strategy helped keep the mill rate at a zero increase.

**THE FUTURE OUTLOOK**

**Long-Term Goals and Objectives**

The City faces the challenge of meeting aging infrastructure and equipment needs with limited resources.

With its long-term financial goals and objectives in mind, the City develops and prepares a Capital Improvement Program (CIP) that is a forward looking multiyear plan identifying capital projects to be funded during the planning period. The Capital budget represents the first year of the CIP. The CIP and Capital Budget also serve as links to the City's planning process in other ways. The CIP is developed in concert with the City's Comprehensive Land Use Plan, its Debt Management strategy, the City's downtown redevelopment plans, and a multi-year plan to refurbish the City's parks. It was expanded, several years ago to become a 10-year CIP Plan. Previously it was a 5-year plan.

The City and the Board of Education elected/appointed and respective management have agreed to meet on education related funding matters throughout the fiscal year to gain a mutual understanding of financial situations affecting the educational system and the City's ability to pay for proposed increases. This is a new initiative in the interest of mutual cooperation and understanding.

**Financial Goals and Objectives**

In addition to the formal long-term planning process, City administration from time to time adopts a set of informal long-term goals and policies. Increasing expenses related to snow removal, fleet replacement and road upgrades are on-going financial problems. Presented on the previous page are three informal five to seven year funding policies which increase appropriations for the three aforementioned programs. A discussion will take place next year to decide if expansion of the policies is warranted.

**Non-Financial Goals and Objectives**

The City is expected to continue its review of programs and services in light of the rising costs of providing a wide variety of services to the community.

**BUDGET DOCUMENT**

Much of the format and content of this document changes year-to-year. This is due, in part, to changing administrations, changes in local fiscal priorities, changes in State grant funding levels, and certainly economic changes on local, regional and national levels.

In addition, to keep pace with related changes in financial statement requirements, the Government Finance Officers Association (GFOA) Budget Awards Program criteria incorporates annual mandatory changes to the budget document that must be addressed each year by City management and staff and noted on the application for peer review. This is a GFOA Award winning document with regard to the GFOA's criteria. The appropriate changes have been made based on criteria and suggestions from budget award reviewers to match current award standards.

## **Transmittal Letter**

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### **Transmittal Letter – (continued)**

I encourage all City Officials and employees to use this document year-round. This document moves beyond the traditional concept of line item expenditure control, and provides information to managers that can lead to improved program efficiency and effectiveness with its format. Under the criteria established by the GFOA Distinguished Budget Award Program, our document is a staff and citizens' useable policy, objective, and goal-orientated document. It focuses budget decisions on results and outcomes, incorporates a long-term perspective and lastly, we believe it is an easy to read and understand communication device for interested parties.

### **Review and Award Process**

After a preliminary screening, eligible budget documents are sent to three independent reviewers, who are members of GFOA's Budget Review Panel. To receive the award, a budget must be judged proficient in all four major award categories as well as all "mandatory" criteria by two of the three reviewers. Those budgets that are rated "outstanding" by all three reviewers in any of four major award categories, receive special recognition. Budgets are categorized by size and assigned to reviewers based on their experience and familiarity with reviewing documents of a similar size. Reviewers operate independently of GFOA officers and staff. The identities of reviewers to whom particular budgets are assigned for review are kept confidential. We believe this budget document will be favorably judged to continue to receive the GFOA's Budget Award on behalf of the City. Every attempt is made by staff to incorporate all past reviewers' suggestions into the current document.

## **ACKNOWLEDGEMENTS**

The annual budget process provides the community with the opportunity and means to review past accomplishments and enunciate collective goals and objectives for the future.

It is with great pleasure that I present this completed and City approved budget to the reader. A conscious effort was made by staff to make it a readable and useable document. Suggestions for improvement are always welcome.

Most City officials believe that once our City budget is approved the process is over for another year. This is far from true. It is actually the start of a 90-day document preparation, criteria review, rewriting, proofing, and finalized cross-checking for accuracy process. With that said, I would be remiss if I did not extend a special thank you to Robin Manuele, Assistant Comptroller, Skip Gillis, Senior Accountant, Carmen Colon, Budget & Accounting Assistant, and Jodi McGrane, Assistant to the Comptroller, all from the Comptroller's Office, for their seemingly endless efforts in continuing to contribute to producing this GFOA award-winning document on behalf of the citizens, taxpayers, and elected and appointed officials of the City of Bristol.

Respectfully submitted,



Glenn S. Klocko  
Comptroller

